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## Letter from the President

*"It doesn't matter how much you sell today as much as it matters how you can sell in the very near future."*

### The Times They Are A Changing

You have heard it before: Change is coming and you need to adapt. We've all heard it so many times that it can sound cliché. Throughout history, there has been change. It is inescapable. Modern technology has accelerated that change, and those who do not adapt will fall behind. But don't fear it. Embrace it. See it not as a challenge, but as an opportunity. "Technology is nothing," said Steve Jobs in a 1994 interview. "What's important is that you have a faith in people, that they're basically good and smart, and if you give them tools, they'll do wonderful things with them."

The insurance industry as we know it is ripe for transformation and disruption by the tech industry. Specifically, companies known as "insurtechs" are shaking things up. The entire insurance industry landscape is changing at a breathtaking pace. Technology now makes it possible for players who were never in the industry before to become major players and influencers.

Information companies such as Google, for example, are getting into the game. In fact, Google recently announced that it has created a new algorithm that can predict when a person will die. For better or worse, this promises to revolutionize the way insurers determine how much to charge for coverage – or even whether coverage will be issued to some individuals.

Artificial intelligence (AI) is impacting the sector in a different way, by helping carriers avoid risk and refine customer segmentation. It helps with better pricing and risk assessment. But just what does that mean? At a high level, you will see AI analyze data at a more granular level, making some people uninsurable, and turn back some data to help previously uninsurable people become insurable customers again.

There will be tremendous change throughout all of this. Will producers and agencies become the next Toys "R" Us or Blockbuster? You remember them. They failed to adapt. Will you adapt?

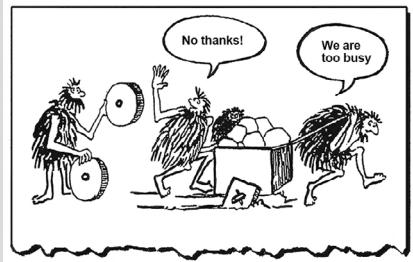
Insurers of the future will look much different and act far differently than they do today. Consider this: The largest media company in the world today, Facebook, creates no content. The largest transportation company, Uber, owns no cars. One of the most influential hospitality companies, AirBnB, doesn't own a single hotel room.

What will the insurer of tomorrow look like, and what role will technology play?

According to a recent McKinsey study, insurtechs are overwhelmingly focused on



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distribution. In the property casualty arena, over 17% of insurtechs are focused on distribution. In the health sector, that number is closer to 11%. Life insurance rounds out the market at 9%, but do not be lulled into complacency by the low numbers. The market is primed for explosive disruption.

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New underwriting approaches, and instant issue up to certain limits, will be derived from personal data rather than large groups and based on complex predictive algorithms.

Microinsurance is trending worldwide. It allows small policies to be offered in low-income markets – often in developing countries – where there is no need for claims adjusters to help settle claims.

On-demand coverage is self-serve. Think of short-term travel insurance today, then imagine that market expanded to include other forms of coverage, all available on a mobile app. The client simply enters their personal data and coverage is quickly provided for a set period of time without an agent interface.

Personalized pricing can be realized via telematics devices. These can collect real time information about individual driving habits and inform the insurance carrier of pricing for auto coverage. Think of fitness bracelets and apps that monitor health and healthy compliance with medical treatments, able to provide the carrier with real time assessments. All of that is done without involving an agent.

In this ever-changing digital world, what will your roadmap be? Don't be so stuck in the "here and now" that you forget to look down the road to see what lies ahead. You might think that your current methods are good enough. But until it was too late, Toys "R" Us and Blockbuster thought the same thing.

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